

FOCUS GRAPHITE INC.

Financial Statements

For the years ended September 30, 2014 and 2013

(Expressed in Canadian Dollars)

| | |
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Focus Graphite Inc.

We have audited the accompanying financial statements of Focus Graphite Inc., which comprise the statement of financial position as at September 30, 2014, the statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Focus Graphite Inc. as at September 30, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates that Focus Graphite Inc. is in the exploration stage and has not earned revenue from operations. During the year ended September 30, 2014, the Company incurred a net loss of \$6,050,702 and negative cash flows from operations of \$5,783,032. In addition, the Company has a working capital deficiency of \$270,459 and a deficit of \$24,360,593. These conditions, along with other matters as set forth in Note 2 in the financial statements, indicate the existence of material uncertainties that casts significant doubt about Focus Graphite Inc.'s ability to continue as a going concern.

Comparative Information

The financial statements of Focus Graphite Inc. as at and for the year ended September 30, 2013 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 27, 2014.

Chartered Professional Accountants, Licensed Public Accountants

January 28, 2015

Ottawa, Canada

Focus Graphite Inc.

(An exploration stage Company)

Statements of Financial Position

(Expressed in Canadian dollars)

| As at | September 30, 2014 | September 30, 2013 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash (Note 4) | 2,200,634 | 12,174,671 |
| Amounts receivable (Note 5) | 781,586 | 397,402 |
| Amounts due from related parties (Note 22) | 153,744 | 1,500,000 |
| Tax credits and credit on duties receivable | - | 56,806 |
| Prepaid expenses | 183,515 | 178,804 |
| | 3,319,479 | 14,307,683 |
| Exploration advances | 9,765 | 315,230 |
| Long-term investment (Note 6) | 225,000 | - |
| Investment in associate (Note 8) | 2,977,744 | 2,097,714 |
| Property and equipment (Note 9) | 74,926 | 115,787 |
| Intangible assets (Note 10) | - | 1,521,526 |
| Mineral exploration properties (Note 11) | 1,521,487 | 1,551,408 |
| Exploration and evaluation assets (Note 11) | 22,013,275 | 14,494,783 |
| Total assets | 30,141,676 | 34,404,131 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 3,542,269 | 3,189,767 |
| Other current liabilities (Note 12) | 47,669 | 1,044,868 |
| Total liabilities | 3,589,938 | 4,234,635 |
| EQUITY | | |
| Share capital (Note 15) | 40,845,778 | 38,755,527 |
| Warrants (Note 16) | 131,097 | 373,049 |
| Contributed surplus | 9,905,505 | 9,350,811 |
| Accumulated other comprehensive income | 29,951 | - |
| Deficit | (24,360,593) | (18,309,891) |
| Total equity | 26,551,738 | 30,169,496 |
| Total liabilities and equity | 30,141,676 | 34,404,131 |

Going concern (Note 2)

On behalf of the Board

(signed) "Gary Economo"
Gary Economo, Director

(signed) "Jeffrey York"
Jeffrey York, Director

The accompanying notes are an integral part of these financial statements.

Focus Graphite Inc.

(An exploration stage Company)

Statements of Comprehensive Loss

For the years ended September 30

(Expressed in Canadian dollars)

| | 2014 | 2013 |
|---|--------------------|-------------|
| | \$ | \$ |
| Operating expenses | | |
| Management and consulting fees | 834,276 | 1,518,793 |
| Salaries and benefits | 2,186,407 | 2,549,382 |
| Travel and promotion | 864,677 | 1,620,146 |
| Professional fees | 358,220 | 560,289 |
| Office | 500,207 | 725,912 |
| Research | - | 254,326 |
| Depreciation of property and equipment (Note 9) | 35,473 | 57,543 |
| Amortization of intangible assets (Note 10) | 40,319 | 578,340 |
| Stock-based compensation (Note 17) | 271,697 | 1,570,272 |
| Writedown of intangible assets, net (Note 10) | 906,207 | - |
| Writedown of mineral exploration properties and exploration and evaluation assets (Note 11) | 361,260 | 195,100 |
| Gain on sale of property and equipment (Note 9) | (1,512) | - |
| Gain on sale of mineral exploration property (Note 11) | (124,012) | - |
| Flow-through interest and tax expense (Note 13) | 14,316 | 19,914 |
| Loss from operations | (6,247,535) | (9,650,017) |
| Other income | | |
| Interest income | 74,555 | 208,278 |
| Other income related to flow-through shares (Note 12) | 997,199 | 2,342,253 |
| Gain on loss of control of subsidiary (Note 7) | - | 2,782,984 |
| Impairment of long-term investment (Note 6) | (225,000) | - |
| Dilution gain (loss) on investment in associate (Note 8) | 1,025,494 | (84,136) |
| Share of net loss of associate (Note 8) | (1,675,415) | (218,150) |
| Net loss | (6,050,702) | (4,618,788) |
| Other comprehensive income | | |
| <i>Items that will be reclassified to profit or loss</i> | | |
| Change in fair value of available-for-sale investments | (225,000) | - |
| Impairment of available-for-sale investments reclassified to profit or loss | 225,000 | - |
| Share of other comprehensive income of associate | 29,951 | - |
| Other comprehensive income | 29,951 | - |
| Total comprehensive loss | (6,020,751) | (4,618,788) |
| Total comprehensive loss attributable to: | | |
| Owners of the parent | (6,020,751) | (3,322,442) |
| Non-controlling interest | - | (1,296,346) |
| | (6,020,751) | (4,618,788) |
| Basic and diluted net loss per common share | (0.06) | (0.03) |
| Basic and diluted weighted average number of common shares outstanding | 107,073,878 | 104,740,031 |

The accompanying notes are an integral part of these financial statements.

Focus Graphite Inc.

(An exploration stage Company)

Statements of Changes in Equity

(Expressed in Canadian dollars)

| | Share capital | | Warrants | Contributed surplus | Accumulated other comprehensive income | Deficit | Equity attributable to owners of the parent | Non-controlling interest | Total |
|---|---------------|------------|-------------|---------------------|--|--------------|---|--------------------------|-------------|
| | # of shares | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, September 30, 2012 | 99,632,048 | 35,562,363 | 3,643,673 | 4,544,053 | - | (20,042,080) | 23,708,009 | 767,791 | 24,475,800 |
| Shares issued for cash | 3,300,000 | 2,310,000 | - | - | - | - | 2,310,000 | - | 2,310,000 |
| Shares issued to acquire mineral properties | 125,000 | 73,250 | - | - | - | - | 73,250 | - | 73,250 |
| Shares issued on exercise of warrants | 3,190,134 | 1,181,199 | (116,329) | - | - | - | 1,064,870 | - | 1,064,870 |
| Shares issued on exercise of options | 145,000 | 22,361 | - | (7,861) | - | - | 14,500 | - | 14,500 |
| Stock-based compensation | - | - | - | 1,570,272 | - | - | 1,570,272 | - | 1,570,272 |
| Expiry of warrants | - | - | (3,244,347) | 3,244,347 | - | - | - | - | - |
| Share issuance costs | - | (393,646) | 90,052 | - | - | - | (303,594) | - | (303,594) |
| Transactions with owners | 6,760,134 | 3,193,164 | (3,270,624) | 4,806,758 | - | - | 4,729,298 | - | 4,729,298 |
| Net loss and total comprehensive loss | - | - | - | - | - | (3,322,442) | (3,322,442) | (1,296,346) | (4,618,788) |
| Elimination of redeemable shares | - | - | - | - | - | 4,402,033 | 4,402,033 | (802,033) | 3,600,000 |
| Change in subsidiary ownership interests | - | - | - | - | - | 652,598 | 652,598 | 933,878 | 1,586,476 |
| Deconsolidation of subsidiary | - | - | - | - | - | - | - | 396,710 | 396,710 |
| Balance, September 30, 2013 | 106,392,182 | 38,755,527 | 373,049 | 9,350,811 | - | (18,309,891) | 30,169,496 | - | 30,169,496 |
| Shares issued for cash | 3,861,000 | 1,930,500 | - | - | - | - | 1,930,500 | - | 1,930,500 |
| Shares issued to acquire mineral properties | 689,655 | 300,000 | - | - | - | - | 300,000 | - | 300,000 |
| Stock-based compensation | - | - | - | 271,697 | - | - | 271,697 | - | 271,697 |
| Expiry of warrants | - | - | (282,997) | 282,997 | - | - | - | - | - |
| Share issuance costs | - | (140,249) | 41,045 | - | - | - | (99,204) | - | (99,204) |
| Net loss | - | - | - | - | - | (6,050,702) | (6,050,702) | - | (6,050,702) |
| Change in fair value of available-for-sale investments | - | - | - | - | (225,000) | - | (225,000) | - | (225,000) |
| Impairment of available-for-sale investments reclassified to profit or loss | - | - | - | - | 225,000 | - | 225,000 | - | 225,000 |
| Share of other comprehensive income of associate | - | - | - | - | 29,951 | - | 29,951 | - | 29,951 |
| Balance, September 30, 2014 | 110,942,837 | 40,845,778 | 131,097 | 9,905,505 | 29,951 | (24,360,593) | 26,551,738 | - | 26,551,738 |

The accompanying notes are an integral part of these financial statements.

Focus Graphite Inc.

(An exploration stage Company)

Statements of Cash Flows

For the years ended September 30

(Expressed in Canadian dollars)

| | 2014 | 2013 |
|--|--------------------|--------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net loss | (6,050,702) | (4,618,788) |
| Adjustments for: | | |
| Stock-based compensation | 271,697 | 1,570,272 |
| Depreciation of property and equipment | 35,473 | 57,543 |
| Amortization of intangible assets | 40,319 | 578,340 |
| Writedown of intangible assets, net | 906,207 | - |
| Writedown of mineral exploration properties and exploration and evaluation assets | 361,260 | 195,100 |
| Interest income | (74,555) | (208,278) |
| Other income related to flow-through shares | (997,199) | (2,340,682) |
| Gain on loss of control of subsidiary | - | (2,782,984) |
| Gain on sale of property and equipment | (1,512) | - |
| Gain on sale of mineral exploration property | (124,012) | - |
| Impairment of long-term investment | 225,000 | - |
| Dilution (gain) loss on investment in associate | (1,025,494) | 84,136 |
| Share of net loss of associate | 1,675,415 | 218,150 |
| Changes in non-cash working capital items (Note 19) | (1,024,929) | 658,730 |
| Net cash used in operating activities | (5,783,032) | (6,588,461) |
| INVESTING ACTIVITIES | | |
| Redemption of short-term investments | - | 2,100,000 |
| Acquisition of property and equipment | - | (11,937) |
| Sale of property and equipment | 6,900 | - |
| Acquisition of intangible assets | - | (60,092) |
| Exploration advances | - | (135,958) |
| Acquisition of mineral exploration properties | (51,197) | (88,928) |
| Sale of mineral exploration properties | 250,000 | - |
| Interest received | 74,555 | 221,123 |
| Exploration and evaluation costs | (6,359,365) | (6,278,721) |
| Tax credits and mining duties received | 56,806 | 456,337 |
| Reduction of cash from loss of control of subsidiary | - | (481,250) |
| Net cash used in investing activities | (6,022,301) | (4,279,426) |
| FINANCING ACTIVITIES | | |
| Amount due to related party | - | 7,500 |
| Common shares issued | 1,930,500 | 3,003,000 |
| Warrants exercised | - | 1,064,870 |
| Options exercised | - | 14,500 |
| Share issuance costs | (99,204) | (303,594) |
| Net proceeds from subsidiary financing | - | 1,586,416 |
| Net cash provided by financing activities | 1,831,296 | 5,372,692 |
| Decrease in cash | (9,974,037) | (5,495,195) |
| Cash, beginning of the year | 12,174,671 | 17,669,866 |
| Cash, end of the year | 2,200,634 | 12,174,671 |

*Supplemental cash flow information is provided in Note 19**The accompanying notes are an integral part of these financial statements.*

Focus Graphite Inc.

(An exploration stage Company)
Notes to the Financial Statements
September 30, 2014 and 2013
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Focus Graphite Inc. (the “Company” or “Focus”) was incorporated on December 30, 1998 under the Canada Business Corporations Act..

Focus is engaged in the acquisition, exploration and development of mineral properties in Quebec, Canada. The Company is in the exploration stage and does not derive any revenue from its properties. The address of the Company’s corporate office is 130 Albert Street, Suite 912, Ottawa, Ontario, Canada, K1P 5G4. Focus Graphite Inc.’s common shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “FMS” and on the OTCQX Exchange in the U.S. under the symbol “FCSMF”.

2. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is in the exploration stage and has not earned revenue from operations. During the year ended September 30, 2014, the Company incurred a net loss of \$6,050,702 (2013 - \$4,618,788) and negative cash flows from operations of \$5,783,032 (2013 - \$6,588,461). In addition, the Company has a working capital deficiency of \$270,459 and a deficit of \$24,360,593.

The above factors raise significant doubt about the Company’s ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company’s own resources and external market conditions.

The Company’s ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business, meet its corporate administrative expenses and continue its exploration activities in fiscal 2015, is dependent upon Management’s ability to obtain additional financing, through various means including but not limited to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company. Failure to obtain additional financing results in material uncertainties that cast significant doubt as to the Company’s ability to continue to operate as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying amounts of assets and liabilities, the reported expenses and the classifications used in the statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation and compliance with IFRS

These financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets which are measured at fair value, and are expressed in Canadian dollars, which is the functional currency of all the entities of the Company. These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

These financial statements were authorized for issue by the Board of Directors on January 28, 2015.

Focus Graphite Inc.

(An exploration stage Company)
Notes to the Financial Statements
September 30, 2014 and 2013
(Expressed in Canadian dollars)

(b) Judgments, estimates and assumptions

When preparing the financial statements, management makes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Significant influence assessment

The assessment as to whether or not the Company has significant influence over an investee requires judgment. Even though Focus holds less than 20% of the voting rights in Grafoid Inc. ("Grafoid"), with an ownership interest of 19% as at September 30, 2014 (Note 8), Management considers the Company to have significant influence over Grafoid. Management considers various facts and circumstances in arriving at this assessment, including but not limited to Focus' representation on the Board of Directors of Grafoid.

Determination of technical feasibility and commercial viability of mineral property

Mining rights and expenses related to exploration and evaluation activities are capitalized on a property by property basis pending determination of the technical feasibility and commercial viability of the project. When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, mining rights and expenses related to exploration and evaluation activities of the related mining property are transferred to mining assets under construction and all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized to mining assets under construction. The determination as to when a mineral property is deemed to be technically feasible and commercially viable is subject to Management judgment.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exit in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

Focus Graphite Inc.

(An exploration stage Company)
Notes to the Financial Statements
September 30, 2014 and 2013
(Expressed in Canadian dollars)

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of mineral exploration properties and exploration and evaluation assets

Determining if there are any facts or circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of mineral exploration properties and exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

The total impairment loss on mineral exploration properties and exploration and evaluation assets for the year ended September 30, 2014 was \$361,260 (2013 - \$195,100). No reversal of impairment losses has been recognized for the reporting periods.

Fair value measurement of investment in associate – initial recognition

Upon loss of control of Grafoid, the Company ceased to consolidate Grafoid and instead recognized its investment in Grafoid as an investment in an associate. Upon initial recognition, the investment was recognized at fair value, and subsequently measured using the equity method. Management estimated the fair value of the Company's investment in its associate based on non-related party equity financing transactions occurring immediately prior and subsequent to the loss of control.

Share based payments

The estimation of stock-based compensation and warrants requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of stock options and warrants granted and the time of exercise of those stock options and warrants. The valuation model used by the Company is the Black-Scholes model.

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The Company allocates values to share capital and to warrants on the residual basis when the two are issued together as a unit. As this allocation is based upon the share price at the time of issuance and the stock is thinly-traded, the actual value of the components may differ from this allocation.

(c) Basis of consolidation

Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Control is established when the Company is exposed, or has rights, to variable returns from its involvement with a subsidiary and has the ability to affect those returns through its power over the subsidiary.

All intercompany transactions and balances between the companies are eliminated on consolidation, including unrealized gains and losses on transactions. Amounts reported in the financial statements of subsidiaries are adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interest based on the respective ownership interests.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction, and attributed to the shareholders of the Company through deficit.

Following the Company's loss of control of Grafoid on July 3, 2013 (Note 7), all of the assets and liabilities of and non-controlling interest in Grafoid were derecognized and Grafoid ceased to be consolidated from that date.

As at September 30, 2014 and September 30, 2013, the Company did not have any subsidiaries.

(d) Investments in associates

Associates are entities over which the Company is able to exert significant influence but which are not subsidiaries.

The investments in associates are accounted for using the equity method and are initially recognized at cost plus transaction costs.

The carrying amount of the investment in associates is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Company.

If the Company's share of losses of an associate equals or exceeds its interest in the associate, the Company discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

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(e) Foreign currency translation

Foreign currency transactions are recorded in the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not re-translated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

(f) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets and financial liabilities are measured subsequently as described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, amounts receivable (excluding sales taxes receivable) and amounts due from related parties fall into this category of financial instruments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, these assets are measured at fair value with subsequent changes in fair value, other than impairment losses, recognized in other comprehensive income, and presented within equity. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Impairment of financial assets

All financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Focus Graphite Inc.

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(Expressed in Canadian dollars)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company generally considers a decline of 20% to be significant and a period of nine months to be prolonged.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is presented in profit or loss, if applicable.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in equity to profit or loss.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within interest expense, if applicable.

Fair value hierarchy

Financial instruments measured at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices unadjusted in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's long-term investment is classified as level 1 and measured at fair value based on the quoted price of the shares on the TSX Venture Exchange. There were no transfers between fair value hierarchy levels during the year.

(g) Basic and diluted loss per share

Basic loss per share is computed by dividing the net loss attributable to owners of the parent for the period by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. The diluted loss per share is equal to the basic loss per share

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because the effect of warrants and stock options (Notes 16 & 17) is antidilutive as it would decrease the loss per share.

(h) Short-term investments

Short-term investments include guaranteed investment certificates with maturities at the date of acquisition ranging from 3 to 12 months.

(i) Tax credits and credit on duties

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

(j) Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of property and equipment, less its estimated residual value, over its estimated useful life at the following rates and using the following methods:

| Detail | Percentage | Method |
|---------------------------------|------------|---------------|
| Computer hardware and equipment | 33% | Straight line |
| Vehicles | 25% | Straight line |
| Lab equipment | 20% | Straight line |
| Office furniture | 20% | Straight line |
| Leasehold improvements | 25% | Straight line |

Depreciation on all items of property and equipment is recognized in profit or loss.

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

There have been no impairment losses with respect to property and equipment recognized in any of the periods presented in these financial statements.

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(k) Intangible assets

The Company's finite life Intangible assets, which are comprised of acquired licenses, are carried at cost, less accumulated amortization and accumulated impairment losses.

Amortization is recognized on a straight-line basis over the estimated useful life of the asset. The estimated useful life of the licenses is based on the terms of license agreements, as follows:

| Detail | Expiry of license | Method |
|--|-------------------|---------------|
| Patent license - Anode production | November, 2023 | Straight line |
| Patent license - Graphite purification | February, 2023 | Straight line |
| License - Other | March 22, 2014 | Straight line |

An asset's useful life and amortization method are reviewed, and adjusted if appropriate, on an annual basis.

Costs related to research activities are expensed as incurred. Costs that are directly attributable to a project's development phase are recognized as intangible assets, provided they meet the following recognition requirements: (i) the development costs can be measured reliably; (ii) the project is technically and commercially feasible; (iii) the Company intends to and has sufficient resources to complete the project; (iv) the Company has the ability to use or sell the product or equipment; and (v) the product, equipment or process will generate probable future economic benefits. Development costs not meeting all these criteria are expensed as incurred. To date, no development costs have been capitalized.

(l) Mineral exploration properties and exploration and evaluation assets

Mineral exploration properties include the cost of acquiring mining rights. Exploration and evaluation assets include expenses directly related to the exploration and evaluation activities. These costs are capitalized and are carried at cost less any impairment loss recognized. Costs incurred before the legal right to undertake exploration and evaluation activities on a project was acquired, are expensed in the statement of comprehensive loss.

Mining rights and expenses related to exploration and evaluation activities are capitalized on a property by property basis pending determination of the technical feasibility and commercial viability of the project. No amortization is recognized during the exploration and evaluation phase. Costs capitalized include drilling, project consulting, geophysical, geological and geochemical studies, as well as other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, mining rights and expenses related to exploration and evaluation activities of the related mining property are transferred to mining assets under construction. Before the reclassification, mineral exploration properties and exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

Upon transfer of exploration and evaluation assets into mining assets under construction, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized with mining assets under construction. After the development stage, all assets included in mining assets under construction are transferred to mining assets and amortized over the expected productive lives of the assets.

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(m) Impairment of non-financial assets

For impairment assessment and testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit ("CGU"). The Company considers each mineral property to be a separate CGU, and therefore assesses for indicators of impairment individually for each mineral property.

At each reporting date, the Company assesses non-financial assets including mineral exploration properties and exploration and evaluation assets, property and equipment and intangible assets for impairment when facts and circumstances suggest that the carrying amount of the asset may not exceed its recoverable amount, being the higher of the value in use and the fair value less costs of disposal. Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the assets of the mineral property are tested for impairment before these items are transferred to mining assets under construction. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment recognized immediately in profit or loss.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods. Any reversal of impairment is recognized immediately in profit or loss.

(n) Provisions and contingent liabilities

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Timing or amount of the outflow may still be uncertain. If the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is a constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The Company had no material provisions as at September 30, 2014 and September 30, 2013.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities are recognized in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

The Company does not currently have any contingent liabilities.

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(o) Employee benefits

The cost of short-term employee benefits (including non-monetary benefits such as group medical and dental insurance) are recognized in the period in which the service is rendered and are not discounted.

(p) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and associates is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that the reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(q) Equity

Share capital

Share capital represents the amount received on the issue of shares. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of share capital. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus. In addition, if shares are issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they are measured at the fair value of the assets or services received or the fair value of the shares issued, according to the quoted price on the day of the conclusion of the agreement.

Flow-through financings

Issuance of flow-through units represents in substance an issue of common shares, warrants (if applicable) and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between share capital, warrants issued

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and the liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants (if applicable) according to the fair value of the warrants at the time of issuance and any residual in the proceeds is allocated to the liability. The fair value of the warrants is estimated using the Black-Scholes valuation model. The liability component recorded initially on the issuance of shares is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred, and recognized in profit or loss in other income related to flow-through shares.

Unit placements

Under the residual method, proceeds are first allocated to shares according to the quoted prices of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Warrants

Warrants include charges related to the issuance of warrants until such equity instruments are exercised.

Contributed surplus

Contributed surplus includes charges related to stock-based compensation until such equity instruments are exercised, as well as expired or forfeited warrants.

Deficit

Deficit includes all current and prior period profits or losses.

(r) Equity-settled stock-based payment transactions

The Company operates an equity-settled stock-based remuneration plan (stock option plan) for directors, officers, employees and certain consultants. The Company's plan does not feature any options for a cash settlement. Occasionally, the Company may issue warrants to brokers.

All goods and services received in exchange for the grant of any stock-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. Where employees, or consultants providing similar services, are rewarded using stock-based payments, the fair values of the services rendered are determined indirectly by reference to the fair value of the equity instruments granted. The fair value is measured at the grant date and if applicable, recognized over the vesting period. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. Estimates are subsequently revised if there is any indication that the number of stock options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if stock options ultimately exercised are different to that estimated on vesting. Stock-based compensation expense incorporates an expected forfeiture rate.

All stock-based payments under the plan (except warrants to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. At the same time, upon exercise of a stock option, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the stock options recorded in contributed surplus are then transferred to share capital. Warrants issued to brokers are recognized as issuance cost of equity instruments with a corresponding credit to warrants, in equity.

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(s) Segmented reporting

The Company is organized into business units based on mineral properties and has determined that there was only one business segment, being the acquisition, exploration and potential development of mineral properties, based on information that is regularly reviewed by the chief operating decision-maker.

(t) Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the statement of comprehensive loss on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses are charged as incurred.

(u) Standards, amendments and interpretations

Effective in the current year

The IASB has issued the following new standards, which are applicable to the Company in the current year.

IFRS 10, Consolidated Financial Statements

This new standard replaces portions of IAS 27 Consolidated and Separate Financial Statements and interpretations ISC-12 Consolidation – Special Purpose Entities. The key features of IFRS 10 include consolidation using a single control model, a new definition of control, and continuous reassessment. This standard is effective for annual periods beginning on or after January 1, 2013. As a result of the adoption of IFRS 10, the Company has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. The Company re-assessed the control conclusion for its investees at January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its investees.

IFRS 11 Joint Arrangements

This new standard replaces guidance in IAS 31 Interest in Joint Ventures. Under IFRS 11 joint arrangements are classified as joint operations or joint ventures. Joint operations account for their share of assets, liabilities, revenue and expenses of the joint operations where a joint venture must be accounted for under the equity method of consolidation. The implementation of IFRS 11 did not have an impact on the Company's financial statements.

IFRS 12, Disclosures of Interests in Other Entities

This new standard provides disclosure guidance on interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This standard is effective for annual periods beginning on or after January 1, 2013. The adoption of this standard did not have an impact on the Company's financial statements.

IFRS 13, Fair Value Measurement

This standard provides guidance on the measurement of fair value, replacing fair value guidance contained in individual IFRSs. The standard provides a framework for determining fair value and clarifies the factors to be considered in estimating fair value in accordance with IFRS. The new standard establishes disclosures surrounding fair value measurement that are more extensive than current standards.

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This standard is effective for the Company's interim and annual financial statements beginning October 1, 2013. The Company has adopted the requirements of IFRS 13 prospectively in these financial statements. The adoption of this standard did not have an impact on the Company's financial statements.

Issued but not yet effective

The IASB has issued the following new and revised standards and amendments, which are not yet effective which may have future applicability to the Company.

IFRS 9, Financial Instruments ("IFRS 9")

In November 2009 the IASB issued IFRS 9, Financial Instruments (IFRS 9 (2009)), and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9 Financial Instruments (2013). In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company's Management have yet to assess the impact of this new standard.

IFRIC 21, Levies

In May 2013, the IASB issued IFRIC 21, Levies which provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executor contracts of other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. This IFRIC is effective for annual periods beginning on or after January 1, 2014 and is required to be applied retrospectively. The Company does not expect the amendment to have a material impact on the financial statements.

4. CASH

| | September 30, 2014 | September 30, 2013 |
|-----------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Cash | 2,200,634 | 3,663,665 |
| Investment savings accounts | - | 8,511,006 |
| Total cash | 2,200,634 | 12,174,671 |

As at September 30, 2013, cash includes amounts held in investment saving accounts with interest rates ranging from 1.20% to 1.50%.

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5. AMOUNTS RECEIVABLE

| | September 30, 2014 | September 30, 2013 |
|--------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Sales taxes receivable | 645,139 | 359,355 |
| Other receivables | 136,447 | 38,047 |
| Total amounts receivable | 781,586 | 397,402 |

6. LONG-TERM INVESTMENT

Investment in Mincom Capital Inc.

On May 8, 2014, further to the sale of the Company's Romer property to Mincom Capital Inc. ("Mincom"), Focus received 2,500,000 common shares in Mincom, valued at \$450,000 (Note 11a)). The fair value of the shares received was based on the quoted market price on the closing date of the transaction. The shares are classified as available-for-sale financial assets and are measured at fair value. The Company does not exercise significant influence over Mincom.

In accordance with a Value Security Escrow Agreement, all of the common shares in Mincom received by the Company were required to be escrowed, to be released as follows:

| Date of release from escrow | Percentage of total escrowed shares to be released | Number of escrowed shares to be released |
|-----------------------------|--|--|
| May 8, 2014 | 10% | 250,000 |
| November 8, 2014 | 15% | 375,000 |
| May 8, 2015 | 15% | 375,000 |
| November 8, 2015 | 15% | 375,000 |
| May 8, 2016 | 15% | 375,000 |
| November 8, 2016 | 15% | 375,000 |
| May 8, 2017 | 15% | 375,000 |
| | 100% | 2,500,000 |

As at September 30, 2014, the Company's investment in Mincom was as follows:

| | Cost | Impairment | Fair value |
|---------------------------------------|---------|------------|------------|
| | \$ | \$ | \$ |
| 2,500,000 common shares in Mincom (1) | 450,000 | (225,000) | 225,000 |

(1) 2,250,000 of these shares are held in escrow.

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Given the significant decline in the fair value of the shares, below its cost, Management deemed the investment to be impaired as at September 30, 2014. An impairment loss of \$225,000 has been recorded in the statements of comprehensive loss for the year ended September 30, 2014 (2013 - \$Nil).

7. DECONSOLIDATION OF SUBSIDIARY

On July 3, 2013, further to the dilution of the Company's ownership interest in Grafoid, as a result of equity financings carried out by the latter, Focus was deemed to lose control over Grafoid. The Company continues to exercise significant influence over Grafoid through its shareholding and board representation.

Upon loss of control at July 3, 2013, the fair value of the Company's remaining 21% ownership interest in Grafoid was determined to be \$2,400,000. The fair value was estimated by reference to the subscription price of shares in an ongoing financing in Grafoid at that time.

As a result of the loss of control, the Company has:

- (i) Derecognized the assets and liabilities of and non-controlling interest in Grafoid at their carrying amounts on July 3, 2013.
- (ii) Recognized the carrying value of the Company's loan to Grafoid and other receivables due from Grafoid, which were previously eliminated upon consolidation.
- (iii) Recognized the investment retained in Grafoid at its fair value.
- (iv) Recognized the difference as a gain on loss of control of a subsidiary; and
- (v) Recognized a deferred tax liability of \$322,800, which has been offset against deferred tax assets.

The following table summarizes the carrying values of the assets and liabilities of Grafoid at July 3, 2013 and the gain resulting from the loss of control:

| | July 3, 2013 |
|---|--------------------|
| | \$ |
| Cash | 481,250 |
| Accounts receivable | 192,145 |
| Prepays | 446,496 |
| Property, plant and equipment | 93,875 |
| Intangible assets | 388,728 |
| Total assets | 1,602,494 |
| Accounts payable and accrued liabilities | (405,524) |
| Amount due to Focus Graphite Inc. | (1,714,164) |
| Due to related party | (262,500) |
| Total liabilities | (2,382,188) |
| Non-controlling interest | 396,710 |
| Net assets and non-controlling interest derecognized | (382,984) |

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The gain on loss of control was calculated as follows:

| | July 3, 2013 |
|--|-----------------|
| | \$ |
| Investment in Grafoid (at fair value) | 2,400,000 |
| Net assets and non-controlling interest derecognized | 382,984 |
| Gain on loss of control of subsidiary | 2,782,984 |

8. INVESTMENT IN ASSOCIATE

Grafoid Inc.

Grafoid is a privately-held graphene research and development company, with its principal place of business in Ottawa, Ontario.

No dividends have been received from Grafoid during the years ended September 30, 2014 and 2013.

As noted in Note 7, the Company lost control over Grafoid on July 3, 2013, further to the dilution of the Company's ownership interest. Given its 21% ownership interest in Grafoid at that date, the Company continued to have significant influence. As such, the investment in Grafoid was recorded as an investment in an associate at fair value (\$2,400,000) and is accounted for using the equity method in accordance with International Accounting Standard 28, "Investments in Associates and Joint Ventures" ("IAS 28"). The Company's share of Grafoid's net losses subsequent to the loss of control is recorded in the statements of comprehensive loss.

In February 2014, Focus' Board of Directors approved the conversion of the Company's outstanding \$1,500,000 loan to Grafoid into 3,000,000 common shares at a deemed price of \$0.50 per share, increasing the Company's holdings in Grafoid to 7,800,000 common shares.

Subsequent to July 3, 2013 and continuing through the 2014 fiscal year, Focus' ownership interest in Grafoid has fluctuated, further to multiple capital raises and other share issuances by Grafoid, including the 3,000,000 shares issued to the Company, as described above. Despite these fluctuations, Management has not changed its assessment and considers Focus to have maintained significant influence over Grafoid throughout this period. Management takes into consideration various facts and circumstances in arriving at this assessment, including but not limited to Focus' continued representation on Grafoid's Board of Directors.

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As at September 30, 2014, the Company's ownership interest in Grafoid was 19% and the carrying value of the investment was determined as follows:

| | \$ |
|--|-------------|
| Balance, September 30, 2013 | 2,097,714 |
| Conversion of \$1.5M loan | 1,500,000 |
| Dilution gain on investment in associate | 1,025,494 |
| Share of net loss of associate | (1,675,415) |
| Share of comprehensive income of associate | 29,951 |
| Balance, September 30, 2014 | 2,977,744 |

As at September 30, 2013, the Company's ownership interest in Grafoid was 15% and the carrying value of the investment was determined as follows:

| | \$ |
|---|-----------|
| Balance, July 3, 2013 (initial recognition) | 2,400,000 |
| Dilution loss on investment in associate | (84,136) |
| Share of net loss of associate | (218,150) |
| Balance, September 30, 2013 | 2,097,714 |

The shares of Grafoid are not publicly listed on a stock exchange and hence published price quotes are not available.

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The following table summarizes the financial information of Grafoid as included in its own consolidated financial statements. The table also reconciles the summarized financial information to the carrying amount of the Company's interest in Grafoid. The information for the comparative period presented in the table includes the results of Grafoid only for the period from July 3, 2013 to September 30, 2013, because Grafoid was a subsidiary prior to that.

| | 2014 | 2013 |
|--|---------------------|--------------------|
| | \$ | \$ |
| Percentage ownership interest | 19% | 15% |
| Current assets | 2,903,232 | 6,782,222 |
| Non-current assets | 13,526,372 | 402,557 |
| Current liabilities | (2,755,535) | (2,136,384) |
| Non-current liabilities | (1,817,742) | - |
| Net assets (100%) | 11,856,327 | 5,048,395 |
| Net assets attributable to owners of Grafoid | 11,674,895 | 4,735,109 |
| Net assets attributable to non-controlling interest | 181,432 | 313,286 |
| | 11,856,327 | 5,048,395 |
| Focus' share of net assets (2014 - 19%, 2013 - 15%) | 2,218,230 | 710,266 |
| Reconciling items | | |
| Goodwill | 1,996,670 | 1,387,448 |
| Warrants and stock-based compensation issued by Grafoid | (1,237,156) | - |
| Carrying value of investment in Grafoid | 2,977,744 | 2,097,714 |
| Revenue | 394,793 | - |
| Net loss | (10,173,213) | (1,130,561) |
| Other comprehensive income | 161,943 | - |
| Total comprehensive loss | (10,011,270) | (1,130,561) |

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9. PROPERTY AND EQUIPMENT

| | Computer hardware and equipment | Vehicles | Lab equipment | Office furniture | Total |
|---|---------------------------------------|---------------|------------------|---------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | |
| Balance, September 30, 2013 | 14,115 | 51,544 | 102,423 | 5,000 | 173,082 |
| Disposals (1) | - | (12,930) | - | - | (12,930) |
| Cost, September 30, 2014 | 14,115 | 38,614 | 102,423 | 5,000 | 160,152 |
| Accumulated depreciation | | | | | |
| Balance, September 30, 2013 | 8,253 | 20,873 | 27,086 | 1,083 | 57,295 |
| Depreciation | 3,797 | 10,192 | 20,484 | 1,000 | 35,473 |
| Disposals (1) | - | (7,542) | - | - | (7,542) |
| Accumulated depreciation, September 30, 2014 | 12,050 | 23,523 | 47,570 | 2,083 | 85,226 |
| Net Book Value, September 30, 2014 | 2,065 | 15,091 | 54,853 | 2,917 | 74,926 |

(1) In December 2013, the Company sold a vehicle for proceeds of \$6,900, realizing a gain of \$1,512.

| | Computer hardware and equipment | Vehicles | Lab equipment | Office furniture | Leasehold improvements | Total |
|---|---------------------------------------|---------------|------------------|---------------------|---------------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | |
| Balance, September 30, 2012 | 11,176 | 51,544 | 155,163 | 49,401 | 15,543 | 282,827 |
| Additions | 5,949 | - | 5,988 | - | - | 11,937 |
| Deconsolidation of subsidiary | (3,010) | - | (58,728) | (44,401) | (15,543) | (121,682) |
| Cost, September 30, 2013 | 14,115 | 51,544 | 102,423 | 5,000 | - | 173,082 |
| Accumulated depreciation | | | | | | |
| Balance, September 30, 2012 | 4,048 | 7,987 | 8,857 | 4,718 | 1,949 | 27,559 |
| Depreciation | 5,375 | 12,886 | 28,708 | 7,661 | 2,913 | 57,543 |
| Deconsolidation of subsidiary | (1,170) | - | (10,479) | (11,296) | (4,862) | (27,807) |
| Accumulated depreciation, September 30, 2013 | 8,253 | 20,873 | 27,086 | 1,083 | - | 57,295 |
| Net Book Value, September 30, 2013 | 5,862 | 30,671 | 75,337 | 3,917 | - | 115,787 |

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10. INTANGIBLE ASSETS

| | Patent license- Anode production (1) | Patent license- Graphite purification (2) | Total |
|---|--|---|-------------|
| | \$ | \$ | \$ |
| Cost | | | |
| Balance, September 30, 2013 | 250,000 | 1,500,000 | 1,750,000 |
| Write-down | (250,000) | (1,500,000) | (1,750,000) |
| Cost, September 30, 2014 | - | - | - |
| Accumulated amortization | | | |
| Balance, September 30, 2013 | 30,798 | 197,676 | 228,474 |
| Amortization | 5,435 | 34,884 | 40,319 |
| Write-down | (36,233) | (232,560) | (268,793) |
| Accumulated amortization, September 30, 2014 | - | - | - |
| Net Book Value, September 30, 2014 | - | - | - |

| | Patent license- Anode production (1) | Patent license- Graphite purification (2) | License- Other (3) | Total |
|---|--|---|-----------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Cost | | | | |
| Balance, September 30, 2012 | 250,000 | 1,500,000 | 995,700 | 2,745,700 |
| Additions | - | - | 60,092 | 60,092 |
| Deconsolidation of subsidiary | - | - | (1,055,792) | (1,055,792) |
| Cost, September 30, 2013 | 250,000 | 1,500,000 | - | 1,750,000 |
| Accumulated amortization | | | | |
| Balance, September 30, 2012 | 9,058 | 58,140 | 250,000 | 317,198 |
| Amortization | 21,740 | 139,536 | 417,064 | 578,340 |
| Deconsolidation of subsidiary | - | - | (667,064) | (667,064) |
| Accumulated amortization, September 30, 2013 | 30,798 | 197,676 | - | 228,474 |
| Net Book Value, September 30, 2013 | 219,202 | 1,302,324 | - | 1,521,526 |

All amortization charges are included within amortization of intangible assets in profit and loss.

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- (1) Effective April 30, 2012, the Company entered into a Patent License Agreement (the "Agreement") with Hydro Quebec ("HQ"), pursuant to which HQ granted Focus the rights to use its patented anode production technology, in consideration for \$250,000, payable as follows:

| | Cash payment |
|-------------------------------|---------------|
| | \$ |
| Upon signing of the Agreement | 100,000 |
| January 31, 2013 (1) | 75,000 |
| January 31, 2014 | 75,000 |
| | <hr/> 250,000 |

- (1) Payment was made April 19, 2013.

In March 2014, Focus and HQ executed a Release and Transaction Agreement (the "Release Agreement") to terminate the Patent License Agreement, effective December 31, 2013. In accordance with the Release Agreement, all rights previously granted to Focus reverted back to HQ and any future payments were waived. The Company recorded a writedown of intangible assets in the statements of comprehensive income of \$138,767, which is net of the unpaid amount of \$75,000 which was waived.

- (2) Effective April 30, 2012, the Company entered into a Patent License Agreement (the "Agreement") with Hydro Quebec ("HQ"), pursuant to which HQ granted Focus the rights to use its patented graphite purification technology, in consideration for \$1,500,000, payable as follows:

| | Cash payment |
|-------------------------------|-----------------|
| | \$ |
| Upon signing of the Agreement | 500,000 |
| January 31, 2013 (1) | 500,000 |
| January 31, 2014 | 500,000 |
| | <hr/> 1,500,000 |

- (1) Payment was made April 19, 2013.

In March 2014, Focus and HQ executed a Release and Transaction Agreement (the "Release Agreement") to terminate the Patent License Agreement, effective December 31, 2013. In accordance with the Release Agreement, all rights previously granted to Focus reverted back to HQ and any future payments were waived. The Company recorded a writedown of intangible assets in the statements of comprehensive income of \$767,440, which is net of the unpaid amount of \$500,000 which was waived.

- (3) In March 2012, the Company, through its former subsidiary Grafoid, acquired a 50% interest in a privately-held company in a foreign jurisdiction. On acquisition, the Company recorded an intangible asset for an amount of \$995,700 related to a license. The license enabled Grafoid to use certain technology in its efforts to develop processes to produce graphene in commercial quantities. The license was derecognized in July 2013 upon deconsolidation of Grafoid.

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11. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS

| | September 30, 2014 | | September 30, 2013 | |
|----------------------------------|--------------------------------------|--|--------------------------------------|--|
| | Mineral exploration properties | Exploration and evaluation assets | Mineral exploration properties | Exploration and evaluation assets |
| | \$ | \$ | \$ | \$ |
| a) Labrador Trough | 6,991 | 232,841 | 295,529 | 490,180 |
| b) Kwyjibo | - | 6,029,360 | - | 5,271,276 |
| c) Lac Knife | 642,578 | 13,819,793 | 642,578 | 8,215,762 |
| d) Manicouagan | 372,436 | 1,345,870 | 372,436 | 403,178 |
| d) Gatineau/ Laurentides | - | - | - | - |
| d) Lac au Sorcier | 31,132 | 16,165 | 31,132 | 15,869 |
| e) Island and Asbury | 72,430 | 92,703 | 72,430 | 91,873 |
| f) Pike River and Tortue Lake | - | - | - | - |
| g) Caninde | - | - | 69,580 | 509 |
| h) Eastmain-Leran | 395,920 | 476,543 | 44,723 | 6,136 |
| i) Hudon | - | - | 23,000 | - |
| TOTAL | 1,521,487 | 22,013,275 | 1,551,408 | 14,494,783 |

a) Labrador Trough

On March 30, 2009 and as amended on May 22, 2009, December 11, 2009, March 25, 2010 and April 30, 2010, the Company signed an acquisition agreement with Everton Resources Inc. ("Everton") to acquire a 100% interest in 13 properties ("Labrador Trough") in the Labrador Trough region of Quebec: Romer, Canyon, Colombet, Diana, Fox, Goose, Jack Rabbit, Lac Aulneau, Lac Ribero, Lemming, Leopard, Minowean and Otelnuk, in consideration for the issuance of 6,000,000 common shares of the Company, at a price of \$0.06 per share. On May 21, 2010, concurrent with the listing of the Company's securities on the TSX Venture Exchange, the Company completed the acquisition of the Labrador Trough properties.

During the year ended September 30, 2010, the Company wrote down the cost of the Labrador Trough property by \$73,104 further to the expiry of certain claims. Also during the year ended September 30, 2010, the Company acquired additional mining claims via staking.

In November 2012, the Company initiated legal recourse against certain parties with respect to the above mentioned transaction regarding a possible net smelter royalty ("NSR"). In April 2013, the Company announced that the matter has been resolved and the property is not subject to any NSR.

Sale of Romer Property

On September 27, 2013, the Company signed a letter agreement with Mincom Capital Inc. ("Mincom"), a related party which shares common management, pursuant to which Focus was to sell to Mincom all of its rights, title and interest in its Romer property (the "Property").

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The consideration due to Focus from Mincom for the purchase of the Property was \$1,000,000, as determined following an independent valuation prepared at the request of Mincom, payable as follows: (i) cash consideration of \$250,000; (ii) 2,500,000 common shares of Mincom.

On May 8, 2014, the Company announced the closing of the transaction.

As at September 30, 2014, the Labrador Trough consists of 4 properties: Minowean, Otelnuq, Lemming and Diana.

b) Kwyjibo

In August 2010, the Company signed an option agreement with SOQUEM Inc. ("SOQUEM") to acquire a 50% interest in the Kwyjibo property, located in the Grenville Geological Province, north-east of Sept-Iles, Quebec, by spending \$3,000,000 in exploration work on the property over a period of five years, of which \$1,000,000 had to be spent during the first two years. SOQUEM is acting as the operator for all exploration work carried out on the property. Focus has the option to become the operator by paying \$50,000 in cash or by issuing common shares valued at \$50,000.

During the year ended September 30, 2012, the Company fulfilled its commitment to spend \$3,000,000 on exploration and earned a 50% interest in the property.

c) Lac Knife

The Company acquired a 100% interest in the Lac Knife property upon acquisition of 100% of the issued and outstanding shares of 3765351 Canada Inc. ("3765351") on October 4, 2010, in consideration for (i) a cash payment of \$250,000, (ii) the issuance of 4,016,362 common shares and (iii) 2,008,181 warrants, each warrant entitling the vendor to acquire an additional common share of the Company at a price of \$0.10 for a period of 24 months. Effective April 1, 2012, 3765351 was liquidated and ownership of the Lac Knife property was transferred to Focus. The Lac Knife property is located south of Fermont, Quebec, in North-Eastern Quebec near the Labrador border. The property is host to the historical Lac Knife graphite prospect located in the Grenville geological province.

d) Manicouagan, Gatineau/Laurentides and Lac au Sorcier

In August 2011, the Company acquired 8 properties, located in the Manicouagan, Gatineau/Laurentides and Lac au Sorcier regions of Quebec, in consideration for cash payments totalling \$125,000 and the issuance of 375,000 common shares of the Company at a price of \$0.91 per share. The Company also paid a cash finder's fee of \$25,000.

The properties acquired are as follows:

| | |
|-----------------------|--|
| Manicouagan: | Lac Guinecourt and Lac Tetepisca |
| Gatineau/Laurentides: | L'Annonciation, Laurentides1, Laurentides2, Cobden and Quyon |
| Lac au Sorcier: | Lac Au Sorcier |

In November 2012, the Company acquired the Lac Tetepisca North property via map-staking. The property is located nearby the Company's Lac Tetepisca property.

During the year ended September 30, 2013, the Company wrote down the cost of the L'Annonciation, Laurentides, Laurentides2, Cobden and Quyon properties to \$Nil (\$95,993 in acquisition costs and \$20,069 in exploration and evaluation assets) further to the Company's decision to let the claims lapse as poor exploration results to date did not warrant further exploration on the properties.

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e) Island and Asbury

In January, 2012, the Company acquired mining claims, located in south-western Quebec, in consideration for cash payments totalling \$60,000 and the issuance of 100,000 common shares of the Company (75,000 common shares were issued in fiscal 2012; 25,000 common shares were issued in fiscal 2013). The claims, located on four properties (Mayo, Perkins, Asbury and Island), are all natural flake-graphite prospects including a past producing property. All claims are located in the Gatineau- Bois Franc area.

During the year ended September 30, 2013, the Company wrote down the cost of the Mayo and Perkins properties to \$Nil (\$66,045 in acquisition costs and \$8,337 in exploration and evaluation assets) further to the Company's decision to let the claims lapse as poor exploration results to date did not warrant further exploration on the properties.

f) Pike River and Tortue Lake

The Pike River and Tortue Lake properties, located in Quebec, were acquired via map-staking in January 2012.

During the year ended September 30, 2013, the Company wrote down the cost of the Pike River and Tortue Lake properties to \$Nil (\$1,690 in acquisition costs and \$2,966 in exploration and evaluation assets) further to the Company's decision to let the claims lapse as poor exploration results to date did not warrant further exploration on the properties.

g) Caninde

On December 14, 2012, the Company signed a Definitive Option Agreement (the "Agreement") with Lara Exploration Ltd. ("Lara") regarding Lara's wholly-owned Caninde graphite project located in Ceara State, northeastern Brazil.

Under the terms of the Agreement, Lara, through its wholly-owned British Virgin Islands subsidiaries Lara (BVI) Ltd. and Pan Brazilian (BVI) Ltd. which collectively own 100% of the mineral rights to the Caninde property (the "Property"), granted Focus two separate options to acquire a total 60% undivided interest in the Property, subject to an underlying royalty to a third party on 11 exploration licenses (2% of gross revenue from production sales to a lifetime maximum of \$750,000 Brazilian Real ("R")), in consideration of a staged exploration expenditure commitment over 5 years, the issuance of 500,000 common shares of Focus to Lara on or before the third anniversary of the Agreement and the reimbursement of Lara for certain claim acquisition costs.

Under the first option, Focus could earn a 51% interest in the Property by:

- (i) Paying R\$30,000 to a third party for claim acquisition costs on or before the date of the Agreement
- (ii) Issuing 500,000 common shares to Lara (100,000 shares upon signing of the Agreement and 400,000 shares by the third anniversary thereof)
- (iii) Carrying out exploration on the Property (including 2,000m of drilling and an electromagnetic survey of the entire Property) totalling \$2,500,000 by the third anniversary of the Agreement based on the following schedule: \$500,000 in each of the first 2 years and \$1,500,000 in the third year. Further to an amendment signed on July 9, 2013, the schedule for exploration work was adjusted as follows: \$250,000 in the first year, \$750,000 in the second year and \$1,500,000 in the third year.

Under the second option, Focus could earn an additional 9% interest in the Property by carrying out additional exploration work including a further 5,000m of drilling and by completing a positive Preliminary Economic Assessment ("PEA") as defined in National Instrument 43-101 ("NI 43-101"), for a total expenditure of at least \$4,500,000 by the fifth anniversary of the Agreement. Focus would also be responsible for paying R\$200,000

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due to a third party upon the definition of a graphite deposit on the Property which qualifies as a mineral reserve under NI 43-101 and the approval thereof by the Departamento Nacional de Producao Mineral of Brazil ("DNPM"), whether such reserve is established during the option period or after Focus has exercised the first option or the second option.

During the year ended September 30, 2014, the Company wrote down the cost of the Caninde property to \$Nil (\$69,580 in acquisition costs and \$268,680 in exploration and evaluation assets) further to the Company's decision to terminate the option agreement as poor exploration results to date did not warrant further exploration on the property. The acquisition costs included R\$30,000 (CAD\$14,580) paid for claim acquisition costs and 100,000 common shares issued at a price of \$0.55 per share.

h) Eastmain-Leran

In October 2012, the Company signed an agreement with Ressources Miniere Alta Inc. ("Alta") whereby Focus secured the exclusive right to exercise a purchase option in respect of Alta's 100% owned Eastmain-Leran property, located in the Otish mountains area of northern Quebec. In consideration for the exclusive right, which covers a period of twelve months, Focus paid \$15,000 in cash.

In October 2012, the Company acquired additional mining claims, via staking.

In October, 2013, the Company executed a purchase agreement with Alta whereby Focus acquired a 100% interest in the Eastmain-Leran property in consideration for \$50,000 cash and the issuance of 689,655 common shares at a price of \$0.435 per share. Alta retained a 2% net smelter return royalty on the property (the "Royalty"). The Company shall have the right, at any time and at its sole discretion, to purchase the Royalty by paying \$500,000. The property was recorded at a value of \$350,000 upon initial recognition, based on the fair value of the property received and the consideration paid.

i) Hudon

In March 2013, the Company signed an agreement with Ressources Tectonic Inc. ("Tectonic") whereby Focus secured the exclusive right to exercise a purchase option in respect of Tectonic's 100% owned Hudon Graphite property, located in the Lac St-Jean area of Quebec. In consideration for the exclusive right, which covered a period of twelve months, Focus paid \$23,000 in cash.

During the year ended September 30, 2014, the Company wrote down the cost of the Hudon property to \$Nil (\$23,000 in acquisition costs) further to the Company's decision not to exercise a purchase option, as exploration results to date did not warrant further exploration on the property.

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The following table reflects changes to mineral exploration properties between October 1, 2012 and September 30, 2014:

| | Year ended September 30, 2014 | Year ended September 30, 2013 |
|---|-------------------------------------|-------------------------------------|
| | \$ | \$ |
| Balance, beginning of the period | 1,551,408 | 1,552,958 |
| Acquisition of mineral exploration properties | 351,197 | 162,178 |
| Sale of mineral exploration properties | (288,538) | - |
| Writedown of mineral exploration properties | (92,580) | (163,728) |
| Balance, end of the period | 1,521,487 | 1,551,408 |

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The following table reflects changes to exploration and evaluation assets between October 1, 2012 and September 30, 2014:

| | Year ended September 30, 2014 | Year ended September 30, 2013 |
|--|-------------------------------------|-------------------------------------|
| | \$ | \$ |
| Balance, beginning of the period | 14,494,783 | 7,678,428 |
| Additions | | |
| Drilling | 2,992,025 | 3,798,461 |
| Independent technical studies | 145,470 | 363,926 |
| Geophysical survey | 612,376 | 292,200 |
| Geological mapping | 478,055 | 238,876 |
| Geochemical survey | - | 57,672 |
| Metallurgical analysis | 709,659 | 1,155,252 |
| Resource estimate | 69,545 | 2,505 |
| Property maintenance | 72,887 | 24,538 |
| Preliminary economic assessment (PEA) | 9,537 | 111,295 |
| Feasibility studies | 1,582,055 | 44,438 |
| Pre-feasibility studies | - | 103,859 |
| Environmental studies | 1,401,599 | 627,703 |
| Pre-development agreements | 1,414 | 27,002 |
| | 8,074,622 | 6,847,727 |
| Sale of exploration and evaluation assets | (287,450) | - |
| Writedown of exploration and evaluation assets | (268,680) | (31,372) |
| Balance, end of the period | 22,013,275 | 14,494,783 |

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12. OTHER CURRENT LIABILITIES

Other current liabilities include the following:

| | September 30, 2014 | September 30, 2013 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| Obligation to pass on tax deductions (1) (2) | 47,669 | 1,044,868 |
| Total other current liabilities | 47,669 | 1,044,868 |

- (1) On March 14, 2012, the Company closed a flow-through private placement (Note 15) for gross proceeds of \$10,000,900. The proceeds from the financing were allocated between share capital (\$7,308,350) and a deferred liability (\$2,692,550) using the residual method. The liability component represents the Company's obligation to pass on the tax deductions to investors. Further to the renunciation of the tax deductions to investors in February 2013, the Company has proportionately reduced the initial liability by the percentage of the required exploration expenditures which have been incurred. As at December 31, 2013, all of the required exploration expenditures had been incurred and the remaining liability is \$Nil.
- (2) On January 31, 2013, the Company closed a flow-through private placement (Note 15) for gross proceeds of \$3,003,000. The proceeds from the financing were allocated between share capital (\$2,310,000) and a deferred liability (\$693,000) using the residual method. The liability component represents the Company's obligation to pass on the tax deductions to investors. Further to the renunciation of the tax deductions to investors in February 2014, the Company has proportionately reduced the initial liability by the percentage of the required exploration expenditures which have been incurred to September 30, 2014. As at September 30, 2014, the remaining liability is \$47,669.

13. FLOW-THROUGH INTEREST AND TAX EXPENSE

The Company is permitted, under Canadian income tax legislation, to renounce flow-through related resources expenditures to investors in advance of the Company incurring all of the expenditures. In accordance with this legislation, the Company has twelve months following the effective date of renunciation to incur the remaining expenditures. The Company begins incurring interest charges for unspent funds after two months following renunciation.

On March 14, 2012, the Company completed a flow-through private placement for gross proceeds of \$10,000,900. In February 2013, the related tax deductions were renounced to investors with an effective date of December 31, 2012. The Company incurred all of the required flow-through expenditures by the December 31, 2013 deadline. Included in accounts payable and accrued liabilities is an accrual for \$Nil (2013 - \$19,914) for Part XII.6 tax and tax on deemed expenses in Quebec, which is calculated on the monthly balance of unspent flow through funds.

On January 31, 2013, the Company completed a flow-through private placement for gross proceeds of \$3,003,000. In February 2014, the related tax deductions were renounced to investors with an effective date of December 31, 2013. As at September 30, 2014, the Company has incurred \$2,796,434 of the required flow-through expenditures and has until December 31, 2014 to incur the remaining exploration expenditures of \$206,566. Included in accounts payable and accrued liabilities is an accrual for \$13,120 (2013 - \$Nil) for Part XII.6 tax and tax on deemed expenses in Quebec, which is calculated on the monthly balance of unspent flow through funds. Subsequent to year-end, the Company incurred all remaining exploration expenditures prior to the December 31, 2014 deadline.

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14. REDEEMABLE SHARES

Pursuant to a unanimous shareholders agreement, the shares of Grafoid were redeemable. As a result, the shares held by those other than Focus were accounted for as a liability at fair value and no non-controlling interest (NCI) was presented. The fair value (\$3,600,000) was determined by reference to the subscription price of shares in an ongoing capital raise in Grafoid, and was presented as a liability in the statement of financial position as at September 30, 2012. An equivalent amount was recorded as stock-based compensation during the year ended September 30, 2012, and included in the statement of comprehensive loss.

On January 18, 2013, the Company's Board of Directors executed an amending agreement to Grafoid's unanimous shareholders agreement. The agreement terminated Section 4.11, "Inactive Shareholder", which provided for the redemption feature of Grafoid's shares.

Given that Grafoid's shares were no longer redeemable following the termination of Section 4.11, the Company eliminated the \$3,600,000 liability and recorded an offsetting credit to Focus' deficit. The Company then adjusted the balance of the NCI on Focus' statement of financial position to the amount that would have been expected at January 18, 2013, had the redeemable feature never existed. The net adjustment was to debit NCI for \$802,033 and credit Focus' deficit for the same amount.

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15. SHARE CAPITAL

Authorized

An unlimited number of the following shares:

Class "A" common shares voting common shares, no par value
Preferred Shares special non-voting shares, no par value

Issued and fully paid

Class "A" common shares

| | Number of shares | | \$ |
|--|---------------------|-------------------|----|
| Balance, September 30, 2012 | 99,632,048 | 35,562,363 | |
| Shares issued for cash (1) | 3,300,000 | 2,310,000 | |
| Shares issued to acquire mineral properties (Note 11e) and g)) | 125,000 | 73,250 | |
| Share issued on exercise of warrants | 3,190,134 | 1,181,199 | |
| Share issued on exercise of options | 145,000 | 22,361 | |
| Share issuance costs | - | (393,646) | |
| Balance, September 30, 2013 | 106,392,182 | 38,755,527 | |
| Shares issued for cash (2) | 3,861,000 | 1,930,500 | |
| Shares issued to acquire mineral properties (Note 11h)) | 689,655 | 300,000 | |
| Share issuance costs | - | (140,249) | |
| Balance, September 30, 2014 | 110,942,837 | 40,845,778 | |

- (1) On January 31, 2013, the Company completed a bought deal flow-through private placement for gross proceeds of \$3,003,000. The private placement was comprised of 3,300,000 flow-through common shares at a price of \$0.91 per share. In connection with the financing, the Company paid cash finders' fees of \$180,180 and issued, as additional consideration, 198,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.91 until January 31, 2015. The proceeds from the financing (\$3,003,000) were allocated between share capital (\$2,310,000) and a deferred liability (\$693,000) using the residual method. The liability component represents the Company's obligation to pass on the tax deductions to investors and is included in other current liabilities in the statement of financial position. The warrants issued as commissions have been recorded at a value of \$90,052 based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.70, risk-free interest rate of 1.16%, expected life of warrants of 2 years, annualized volatility of 143% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last two years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total \$123,414. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital.

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- (2) On September 23, 2014, the Company completed a private placement for gross proceeds of \$1,930,500. The private placement was comprised of 3,861,000 units at a price of \$0.50 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.60 until September 23, 2018. In connection with the financing, the Company paid cash finder's fees totaling \$71,470 and issued, as additional consideration, 142,940 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.60 until September 23, 2016. The warrants issued in connection to the private placement have been recorded at a value of \$Nil based on the residual method and warrants issued as commissions have been recorded at a value of \$41,045 based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.51, risk-free interest rate of 1.12%, expected life of warrants of 2 years, annualized volatility of 117% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last two years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total \$27,734. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital. Directors and officers of the Company participated in the private placement for an aggregate amount of \$195,000.

16. WARRANTS

The following table reflects the continuity of warrants outstanding:

| | Number of warrants | Weighted average exercise price \$ |
|------------------------------------|-----------------------|---|
| Balance, September 30, 2012 | 15,621,720 | 1.04 |
| Granted | 198,000 | 0.91 |
| Exercised | (3,190,134) | 0.33 |
| Expired | (11,970,006) | 1.21 |
| Balance, September 30, 2013 | 659,580 | 1.18 |
| Granted | 4,003,940 | 0.60 |
| Expired | (461,580) | 1.30 |
| Balance, September 30, 2014 | 4,201,940 | 0.61 |

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As at September 30, 2014, the following warrants were issued and outstanding:

| Number of warrants | Fair value | Exercise price | Expiry date |
|---------------------------|-------------------|-----------------------|--------------------|
| | \$ | \$ | |
| 198,000 | 90,052 | 0.91 | January 31, 2015 |
| 142,940 | 41,045 | 0.60 | September 23, 2016 |
| 3,861,000 | - | 0.60 | September 23, 2018 |
| 4,201,940 | 131,097 | | |

As at September 30, 2013, the following warrants were issued and outstanding:

| Number of warrants | Fair value | Exercise price | Expiry date |
|---------------------------|-------------------|-----------------------|--------------------|
| | \$ | \$ | |
| 461,580 | 282,997 | 1.30 | March 14, 2014 |
| 198,000 | 90,052 | 0.91 | January 31, 2015 |
| 659,580 | 373,049 | | |

17. STOCK OPTIONS

On May 3, 2012, the shareholders of the Company approved the conversion of the Company's Stock Option Plan ("SOP") from a fixed option plan to a rolling option plan, pursuant to which a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance under its SOP. These options may be granted to employees, officers, directors, and persons providing ongoing services to the Company, subject to regulatory approval. The exercise price of each option can be set equal to or greater than the closing market price, less allowable discounts, of the common shares on the Exchange on the day prior to the date of grant of the option. Options have a maximum term of five years and terminate 12 months following the termination of the optionee's employment, office, directorship or consulting arrangement. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted.

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The following table reflects the continuity of stock options outstanding:

| | Number of stock options | Weighted average exercise price \$ |
|------------------------------------|----------------------------|---|
| Balance, September 30, 2012 | 6,990,000 | 0.77 |
| Granted to employees (1)(3) | 2,205,000 | 0.62 |
| Granted to non-employees (1) | 1,202,500 | 0.66 |
| Expired | (325,000) | 1.16 |
| Exercised (2) | (145,000) | 0.10 |
| Forfeited | (151,875) | 0.66 |
| Balance, September 30, 2013 | 9,775,625 | 0.72 |
| Expired | (520,625) | 0.94 |
| Forfeited | (25,000) | 0.66 |
| Balance, September 30, 2014 | 9,230,000 | 0.71 |

- (1) On May 3, 2013, 2,907,500 stock options were granted to Directors, Officers, employees and consultants at an exercise price of \$0.66 per share, expiring on May 3, 2018.
- (2) The weighted-average share price at the date of exercise of these options was \$0.61.
- (3) On September 16, 2013, 500,000 stock options were granted to an Officer at an exercise price of \$0.49 per share, expiring on September 16, 2018.

As at September 30, 2014, the following stock options were outstanding and exercisable:

| Range of exercise prices | Outstanding | | | Exercisable | | |
|--------------------------------|-----------------------|---|---|------------------|--|--|
| | Number outstanding | Weighted average remaining contractual life (in years) | Weighted average outstanding exercise price | Number vested | Weighted average vested exercise price | |
| \$0.10 | 1,150,000 | 0.81 | \$0.10 | 1,150,000 | \$0.10 | |
| \$0.48- \$0.66 | 3,260,000 | 3.58 | \$0.63 | 3,260,000 | \$0.63 | |
| \$0.71- \$0.92 | 2,495,000 | 2.26 | \$0.74 | 2,495,000 | \$0.74 | |
| \$1.00 | 1,675,000 | 1.61 | \$1.00 | 1,675,000 | \$1.00 | |
| \$1.15- \$1.55 | 650,000 | 1.40 | \$1.33 | 650,000 | \$1.33 | |
| | 9,230,000 | 2.37 | \$0.71 | 9,230,000 | \$0.71 | |

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As at September 30, 2013, the following stock options were outstanding and exercisable:

| Range of exercise prices | Outstanding | | | Exercisable | | |
|--------------------------|--------------------|---|---|------------------|--|--|
| | Number outstanding | Weighted average remaining contractual life (in years) | Weighted average outstanding exercise price | Number vested | Weighted average vested exercise price | |
| \$0.10 | 1,150,000 | 1.81 | \$0.10 | 1,150,000 | \$0.10 | |
| \$0.48- \$0.66 | 3,355,625 | 4.58 | \$0.63 | 2,567,656 | \$0.62 | |
| \$0.71- \$0.92 | 2,635,000 | 3.26 | \$0.75 | 2,635,000 | \$0.75 | |
| \$1.00 | 1,985,000 | 2.65 | \$1.00 | 1,985,000 | \$1.00 | |
| \$1.15- \$1.55 | 650,000 | 2.40 | \$1.33 | 650,000 | \$1.33 | |
| | 9,775,625 | 3.36 | \$0.72 | 8,987,656 | \$0.73 | |

The following table reflects the weighted-average fair value of stock options granted between September 30, 2012 and September 30, 2014 and the related Black-Scholes option pricing model inputs that were used in the calculations:

| | Year ended September 30, 2014 | Year ended September 30, 2013 |
|--|----------------------------------|----------------------------------|
| Stock options granted | - | 3,407,500 |
| Weighted average fair value | - | \$0.56 |
| Weighted-average exercise price | - | \$0.64 |
| Weighted-average market price at date of grant | - | \$0.64 |
| Expected life of stock options (years) | - | 5.00 |
| Expected stock price volatility | - | 137% |
| Risk-free interest rate | - | 1.36% |
| Expected dividend yield | - | - |

The underlying expected stock price volatility is based on historical data of Focus Graphite Inc.'s shares since its listing on the Exchange in May 2010.

The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the options.

In total, \$271,697 of stock-based payments (all of which relate to equity-settled stock-based payment transactions) were included in profit or loss for the year ended September 30, 2014 (2013 - \$1,570,272) and credited to contributed surplus.

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18. NON-CONTROLLING INTEREST (NCI)

| | \$ |
|---|----------------|
| Balance, September 30, 2012 | 767,791 |
| Elimination of redeemable shares (Note 14) | (802,033) |
| Change in subsidiary ownership interests (1)(2)(3)(4) | 933,878 |
| Net loss and total comprehensive loss attributable to NCI | (1,296,346) |
| Deconsolidation of subsidiary (5) | 396,710 |
| Balance, September 30, 2013 and September 30, 2014 | - |

- (1) On February 6, 2013, Focus' ownership interest in Grafoid was reduced from 40% to approximately 35%, further to the closing of the first tranche of a private placement for net proceeds of \$860,998.
- (2) On April 17, 2013, Focus' ownership interest in Grafoid was reduced to approximately 33%, further to the closing of the second tranche of a private placement for net proceeds of \$261,772.
- (3) On June 11, 2013, Focus' ownership interest in Grafoid was reduced to approximately 31%, further to the closing of the third tranche of a private placement for net proceeds of \$463,646.
- (4) On July 3, 2013, Focus' ownership interest in Grafoid was reduced to approximately 21%, further to the closing of the fourth tranche of a private placement for net proceeds of \$3,712,838.
- (5) On July 3, 2013, further to dilution of Focus' ownership in Grafoid, it was determined that Focus no longer exercised control over Grafoid. As a result, Grafoid was deconsolidated as of this date and is now accounted for as an investment in an associate (Note 8).

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19. SUPPLEMENTAL CASH FLOW INFORMATION

| | 2014 | 2013 |
|---|--------------------|----------------|
| | \$ | \$ |
| Changes in non-cash working capital are as follows: | | |
| Amounts receivable | (384,184) | 391,874 |
| Amounts due from related parties | (153,744) | - |
| Prepaid expenses | (4,711) | (149,429) |
| Accounts payable and accrued liabilities | (482,290) | 455,035 |
| Other current liabilities | - | (38,750) |
| | (1,024,929) | 658,730 |
| Non-cash investing activities as follows: | | |
| Intangible assets included in accounts payable and accrued liabilities | - | 575,000 |
| Exploration and evaluation assets included in accounts payable and accrued liabilities | 3,125,213 | 1,715,421 |
| Available-for-sale financial assets received as consideration for sale of mineral exploration property (Note 6) | 450,000 | - |

20. RISK MANAGEMENT AND CAPITAL MANAGEMENT*Risk management*

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(i) Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash, amounts receivable (excluding sales taxes receivable) and amounts due from related parties and maximum exposure is equal to the carrying values of these assets, totalling \$2,490,825 at September 30, 2014 (2013- \$13,712,718). The Company's cash is held at several reputable financial institutions with high external credit ratings. The exposure to credit risk for the Company's receivables is considered immaterial. It is management's opinion that the Company is not exposed to significant credit risk. No impairment loss has been recognized in the periods presented.

None of the Company's financial assets are secured by collateral or other credit enhancements.

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Management considers that all the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality. There are no financial assets that are past due but not impaired for the periods presented.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. As at September 30, 2014, the Company had a working capital deficiency of \$270,459. During the year ended September 30, 2014, the Company had negative cash flows from operations of \$5,783,032 (2013 - \$6,588,461). The Company's ability to realize its assets and discharge its liabilities in the normal course of business, meet its corporate administrative expenses and continue its exploration activities in fiscal 2015, is dependent upon Management's ability to obtain additional financing, through various means including but not limited to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company.

The Company has financial liabilities of \$3,542,269, all of which are due within twelve months.

(iii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial assets exposed to interest rate risk include cash held in investment savings accounts bearing variable interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments with maturities of 360 days or less from the original date of acquisition. As at September 30, 2014, the Company had cash balances of \$2,200,634 (\$12,174,671 as at September 30, 2013) and interest income derived from these investments during the year ended September 30, 2014 was \$74,555 (2013 - \$207,296).

The Company has limited exposure to financial risk arising from fluctuations in variable interest rates earned on cash given the low interest rates currently in effect and the low volatility of these rates.

(iv) Other price risk

The Company holds publicly listed shares of a company in the mineral exploration industry. The Company is exposed to other price risk regarding these shares as unfavorable market conditions could result in the disposal at less than their value at September 30, 2014. As at September 30, 2014, the value of these listed shares was \$225,000. At September 30, 2014, had the bid price for these publicly listed shares been 10% lower, the comprehensive loss for the year would have been \$22,500 higher. Conversely, had the bid price been 10% higher, the comprehensive loss would have been \$22,500 lower.

Capital management

The Company manages its capital to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders as well as ensuring that all flow-through monies obtained are utilized in exploration activities and spent by the required deadline. In the management of capital, the Company includes the components of shareholders' equity. As long as the Company is in the exploration stage of its mining properties, it is not the intention of the Company to contract additional debt obligations to finance its work programs. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. When financing conditions are not optimal, the Company may enter into option agreements or find other solutions to continue its activities or may slow its activities until conditions improve. While the Company is not subject to any external capital requirements,

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neither regulatory nor contractual, funds from flow-through financings to be spent on the Company's exploration properties are restricted for this use. In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

21. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable (net of sales taxes receivable), amounts due from related parties, long-term investment and accounts payable and accrued liabilities. The long-term investment is carried at fair value. The fair value of the other financial instruments approximates their carrying value due to their short-term nature.

The classification of financial instruments is as follows:

| | September 30, 2014 | September 30, 2013 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Financial assets | | |
| Loans and receivables | | |
| Cash | 2,200,634 | 12,174,671 |
| Amounts receivable (net of sales taxes receivable) | 136,447 | 38,047 |
| Amounts due from related parties | 153,744 | 1,500,000 |
| Available-for-sale-financial assets | | |
| Long-term investment | 225,000 | - |
| Total financial assets | 2,715,825 | 13,712,718 |
| Financial liabilities | | |
| Measured at amortized cost | | |
| Accounts payable and accrued liabilities | (3,542,269) | (3,189,767) |
| Total financial liabilities | (3,542,269) | (3,189,767) |

22. RELATED PARTY TRANSACTIONS

Transactions with related parties not disclosed elsewhere in these financial statements are as follows:

Unless otherwise stated, none of these transactions incorporated special terms and conditions and no guarantees were given or received.

JAG Sky Inc.

In October 2013, the Company prepaid an amount of \$160,000 to JAG Sky Inc. ("JAG"), a private air charter services company wholly-owned by an Officer and Director of Focus, for air travel to be used at a later date. During the year ended September 30, 2014, the Company used \$52,200, net of HST, of air travel with JAG (2013 - \$153,688). As at September 30, 2014, the Company had a remaining prepaid balance of \$101,014 (\$Nil as at September 30, 2013), included in prepaid expenses, for air travel to be used at a later date.

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Loan to Grafoid Inc.

During the year ended September 30, 2012, the Company provided funding to Grafoid in the amount of \$1,500,000. The loan was non-interest bearing and was payable on January 31, 2014.

In February 2014, the Company's Board of Directors approved the conversion of the outstanding \$1,500,000 loan to Grafoid into 3,000,000 common shares of Grafoid at a deemed price of \$0.50 per share.

Shared costs

During the year ended September 30, 2014, the Company charged Mincom Capital Inc. and Stria Lithium Inc., both of which share common management, \$25,000 and \$10,000, respectively, for accounting and administrative services and other administrative expenses (2013 - \$Nil and \$Nil). As at September 30, 2014, the entire amount is included in amounts due from related parties.

As at September 30, 2014, included in amounts due from related parties was an amount of \$38,852 (2013 - \$Nil) due from the following companies, which are wholly or partially owned by an Officer and Director of the Company, related to general shared costs:

| | \$ |
|-----------------------|--------|
| 2390540 Ontario Inc. | 9,549 |
| 2395141 Ontario Inc. | 2,744 |
| 8479909 Canada Inc. | 2,762 |
| Althean Ltd. | 897 |
| JAG Sky Inc. | 16,975 |
| JAG Gourmet Food Inc. | 253 |
| SPI Technologies Inc. | 225 |
| SP2 Wafer Pte Ltd. | 5,447 |
| | <hr/> |
| | 38,852 |

As at September 30, 2014, included in amounts due from related parties was an amount of \$79,892 (2013 - \$Nil) due from the following companies, which share common management, related to general shared costs:

| | \$ |
|---------------------------------------|--------|
| Grafoid Inc. (including subsidiaries) | 71,865 |
| Mincom Capital Inc. (1) | 3,172 |
| Stria Lithium Inc. (1) | 4,855 |
| | <hr/> |
| | 79,892 |

(1) Excludes amounts receivable in respect of charges for accounting/administrative services and other administrative expenses described above.

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Transactions with key management personnel

The following table reflects compensation of key management personnel, including the CEO, COO, CFO and Directors:

| | 2014 | 2013 |
|----------------------------------|------------------|-----------|
| | \$ | \$ |
| Salaries (including bonuses) (1) | 1,970,000 | 2,340,338 |
| Benefits | 16,124 | 6,596 |
| Stock-based compensation | - | 938,373 |
| | 1,986,124 | 3,285,307 |

(1) Includes director's fees which have been included in *Management and consulting fees* in the statements of comprehensive loss.

(2) The figures above have not been adjusted to reflect the allocation of salaries and short-term benefit compensation paid to key management personnel that the Company charged out to Mincom Capital Inc. and Stria Capital Inc.

23. LEASES

The Company's future minimum operating lease payments are as follows:

| | Minimum lease payments due | | | Total |
|--------------------|----------------------------|--------------|---------------|---------------|
| | Within 1 year | 1 to 5 years | After 5 years | |
| | \$ | \$ | \$ | \$ |
| September 30, 2014 | 22,008 | 20,174 | - | 42,182 |
| September 30, 2013 | 22,008 | 42,182 | - | 64,190 |

The Company leases its office under a lease expiring in August 2016.

Lease payments recognized as an expense during the reporting period amount to \$22,008 (2013 - \$22,008). This amount consists of minimum lease payments.

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24. INCOME TAXES*Relationship between expected tax expense and accounting profit or loss*

The relationship between the expected tax expense (recovery) based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statements of comprehensive loss can be reconciled as follows:

| | 2014 | 2013 |
|---|--------------------|-------------|
| | \$ | \$ |
| Accounting loss before income tax | (6,050,702) | (4,618,788) |
| Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9% (26.9% in 2013) | (1,627,639) | (1,242,454) |
| Adjustments for the following items: | | |
| Tax impact of temporary difference for which no deferred tax asset was recorded | 505,451 | (634,474) |
| Stock-based compensation | 73,086 | 422,403 |
| Other | 95,846 | (4,955) |
| Tax effect of issuance of flow-through shares | 1,103,807 | 2,338,676 |
| Tax effect of reversal of other liabilities relating to flow-through shares | (268,247) | (629,643) |
| Non-taxable portion of investment in associate | 117,696 | (282,137) |
| Effect of tax rate in foreign subsidiary | - | 32,584 |
| Deferred income tax expense (recovery) | - | - |

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Deferred tax assets and liabilities and variation of recognized amounts during the period

The following differences between the carrying amounts and tax bases from timing differences, unused tax loss and unused tax credits give rise to the following recognized and unrecognized deferred taxes, and the following unrecognized timing differences, unused tax losses and unused tax credits:

| | Balance September 30, 2013 | Recognized in profit or loss | Recognized in equity | Balance September 30, 2014 |
|---|----------------------------------|---------------------------------|-------------------------|----------------------------------|
| | \$ | \$ | \$ | \$ |
| Property and equipment | 12,704 | 9,125 | - | 21,829 |
| Intangible assets | 21,380 | 176,098 | - | 197,478 |
| Mineral exploration properties and exploration and evaluation assets | (2,883,562) | (1,039,989) | - | (3,923,551) |
| Investment in associate | (282,138) | 83,406 | - | (198,732) |
| Long-term investment | - | 30,263 | - | 30,263 |
| Non-capital losses | 3,131,616 | 741,097 | - | 3,872,713 |
| | - | - | - | - |

| | Balance September 30, 2012 | Recognized in profit or loss | Recognized in equity | Balance September 30, 2013 |
|---|----------------------------------|---------------------------------|-------------------------|----------------------------------|
| | \$ | \$ | \$ | \$ |
| Tax credits receivable | (54,304) | 54,304 | - | - |
| Property and equipment | - | 12,704 | - | 12,704 |
| Intangible assets | (11,158) | 32,538 | - | 21,380 |
| Mineral exploration properties and exploration and evaluation assets | (542,928) | (2,340,634) | - | (2,883,562) |
| Investment in associate | - | (282,138) | - | (282,138) |
| Non-capital losses | 608,390 | 2,523,226 | - | 3,131,616 |
| | - | - | - | - |

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As at September 30, 2014, the Company had the following temporary differences. No deferred tax assets were recorded for these temporary differences.

| | Federal | Quebec |
|----------------------|------------------|------------------|
| | \$ | \$ |
| Share issuance costs | 951,994 | 951,994 |
| Non-capital losses | 3,135,707 | 2,998,591 |
| | <u>4,087,701</u> | <u>3,950,585</u> |

As at September 30, 2013, the Company had the following temporary differences. No deferred tax assets were recorded for these temporary differences.

| | Federal | Quebec |
|----------------------|------------------|------------------|
| | \$ | \$ |
| Share issuance costs | 1,461,009 | 1,461,009 |
| Non-capital losses | 747,693 | 610,577 |
| | <u>2,208,702</u> | <u>2,071,586</u> |

As at September 30, 2014, the Company has the following non-capital losses for which no deferred tax asset was recorded. These carryforward balances expire as follows:

| | Federal | Quebec |
|------|-----------|-----------|
| | \$ | \$ |
| 2034 | 3,135,707 | 2,998,591 |

As at September 30, 2013, the Company has the following non-capital losses for which no deferred tax asset was recorded. These carryforward balances expire as follows:

| | Federal | Quebec |
|------|---------|---------|
| | \$ | \$ |
| 2033 | 747,693 | 610,577 |

The temporary difference relating to the share issuance costs which the Company has not recognized will be deductible until the year 2019.

As at September 30, 2014, the Company had an investment tax credit for an amount of \$9,886 (2013 - \$8,176) that was not recorded. This credit can be used against any federal income tax payable and expires in the years 2028, 2029, 2030 and 2033.

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25. ENTITY-WIDE REPORTING

The Company has reviewed its activities and determined that it operates in a single reportable operating segment (see Note 3(s)).

The following information provides the required entity-wide disclosures, showing the Company's non-current assets by geographic area:

| | Canada | Foreign | Total |
|--------------------|------------|---------|------------|
| | \$ | \$ | \$ |
| September 30, 2014 | 26,822,197 | - | 26,822,197 |
| September 30, 2013 | 20,026,359 | 70,089 | 20,096,448 |